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Economic Intelligence Report

MERCHANT SHIPPING IN THE SINO-SOVIET BLOC 1961



CIA/RR ER 62-43

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CENTRAL INTELLIGENCE AGENCY
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Economic Intelligence Report

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1961**

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FOREWORD

This report is designed to present a brief survey of the significant developments in merchant shipping of the Sino-Soviet Bloc during the calendar year 1961. In addition to providing a brief analysis of the growth and performance of the Bloc fleets, the report outlines the major activities of Bloc merchant fleets insofar as they bear on Bloc capability to compete with non-Bloc merchant fleets.

The information in this report was derived principally from official publications and announcements. [REDACTED]

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MERCHANT SHIPPING IN THE SINO-SOVIET BLOC*
1961

I. Bloc-Wide Developments

A. Growth of the Fleets

The net additions to the vessel tonnage of the combined merchant fleet of the Sino-Soviet Bloc in 1961 dropped considerably from the peak attained in 1960.** The net tonnages added during 1956-61 were as follows (in thousand deadweight tons -- DWT***):

<u>Year</u>	<u>Total</u>	<u>USSR</u>	<u>Communist China</u>	<u>European Satellites</u>
1961	686.2	380.9	55.6	249.7
1960	962.4	574.2	127.8	260.4
1959	632.4	280.1	128.0	224.3
1958	573.5	245.0	126.2	202.3
1957	398.5	209.1	61.4	128.0
1956	243.2	217.0	18.2	8.0

The largest decreases occurred in the additions to the Soviet and Chinese† fleets, the acquisitions by China being the lowest since 1956. The decline in additions to the Soviet fleet during 1961 was a

* The estimates and conclusions in this report represent the best judgment of this Office as of 1 October 1962.

** The discussion of ships and fleets (as distinct from the performances of the Bloc fleets) throughout this report refers only to ships of 1,000 gross register tons (GRT) and above and does not include ships in the Caspian Sea. Figures for the Soviet fleet include refrigerator ships in the fishing fleet. (Gross register tonnage is a measure of the cubic capacity of the cargo space of a ship expressed in tons at the rate of 1 gross register ton per 100 cubic feet.) Tonnages are given in metric tons throughout this report.

*** Deadweight tonnage is a measure of the carrying capacity of a ship in metric tons -- that is, the difference between the ship's displacement light and its displacement loaded.

† Unless otherwise indicated, the terms Chinese and China as used in this report refer to the Chinese Communists and Communist China.

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temporary phenomenon, reflecting a shift to the acquisition of modern cargo liners and supertankers. Acquisitions for the Soviet fleet in 1962 are expected almost to double the volume of acquisitions in 1961. Additions to the Satellite fleets are expected to rise in 1962 and also probably will surpass the 1960 peak.

There is considerable uncertainty regarding the growth of the Chinese fleet in 1962 and 1963. The drastic decline in ship acquisitions during 1961 probably was due principally to a decline in coastal traffic and to shortcomings in domestic shipbuilding. Purchases from Western shipowners also declined, even though the Chinese continued to charter a large number of Western ships for the import trade, thereby failing to take advantage of a possibility of saving foreign exchange both currently and ultimately. The Chinese have been making a sizable outlay of foreign exchange to charter Western ships to carry grain and sugar imports, and the volume of imports in 1962 is expected not only to be greater than in 1961 but also to involve greater distances. In the current state of the ship sales market, China could buy a Liberty-type ship for what the country is and has been paying to time-charter one comparable ship for less than a year*: even under the most favorable consecutive-voyage charters, China expends the foreign exchange equivalent of the cost of a Liberty ship in less than 8 months. Furthermore, if the Chinese-owned ships have been as idle as evidence indicates, there is no obvious explanation for the failure of China to use its own shipping to reduce foreign exchange expenditures.

Although the proportion of tanker tonnage in the combined fleet of the Sino-Soviet Bloc increased in 1961, the actual tonnage added, 257,400 DWT, was less than the 321,900 DWT added in 1960 (see Table 10**). The largest increase was again in the Soviet fleet. Dry cargo tonnage increased by 428,800 DWT, bringing the Bloc fleet, including tankers, to a total of 1,252 ships and 7.2 million DWT at the end of 1961. This figure represents only 4.5 percent of the world fleet of ships of 1,000 GRT and above.*** In terms of size of fleets, the combined fleet of the Sino-Soviet Bloc now ranks seventh largest among world fleets, with the combined fleet of the Soviet Bloc ranking eighth and the Soviet fleet alone ranking thirteenth.

* The secondhand market reached a peak in the fall of 1961 and spring of 1962. Prices since then have been at the depressed level obtaining before September 1961, and current sales by Western countries to the Bloc are being made under relatively long-term credit arrangements.

** Appendix, p. 33, below.

*** Not including the US reserve fleet.

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Total investment by the Sino-Soviet Bloc in fleet expansion in 1961 probably amounted to about \$204 million. The major proportion of this sum was spent in Bloc shipyards or transfers of ships among Bloc members. Only about \$58 million was paid to non-Bloc countries compared with about \$70 million in 1960.

B. Performance of the Fleets*

Although the tons carried by the combined fleet of the Sino-Soviet Bloc declined slightly in 1961 because of the reduced activity of the Chinese fleet, the ton-mile performance increased to more than 136 billion ton-miles** in 1961, as shown in Table 1.*** The over-all increase in ton-mile performance is a result principally of the increased average length of haul of the Soviet fleet. The average length of haul of Chinese vessels, operating almost entirely on the Chinese coast, was around 400 nautical miles, whereas the average length of haul of Soviet vessels in 1961 increased by 16 percent to 1,089 nautical miles, and the average length of haul of Satellite vessels decreased by 13 percent to 2,960 nautical miles. With the European Satellite fleets continuing to engage in the more distant trades, ton-miles performed by Satellite ships amounted to 28 percent of the total Bloc performance in spite of the fact that the Satellites accounted for only 11 percent of the tons carried by the combined Bloc fleet.

Again in 1961, non-Bloc ships carried about 70 percent of the total seaborne foreign trade of the Sino-Soviet Bloc (see Table 11†). Actual tons moved by non-Bloc ships increased from about 59 million tons in 1960 to about 73 million tons in 1961. The volume of Bloc seaborne trade is still increasing too fast for the Bloc to reduce its utilization of non-Bloc shipping. Only three of the individual fleets -- the Polish, East German, and Bulgarian -- apparently managed to reduce the amounts carried by Western ships. These fleets also are expected to increase substantially in vessel tonnage in 1962.

During the year the Chinese put three ships into the Southeast Asia trade, the first Chinese-flag ships to engage in international trade††. Although they probably carried only about 150,000 tons of the approximately 14.5 million tons of Chinese seaborne overseas trade, this development is significant as the first move by China into non-Bloc trading waters.

* The discussion of performance throughout this report includes performances of vessels under 1,000 GRT.

** Mileages are given in nautical miles throughout this report.

*** Table 1 follows on p. 4.

† Appendix, p. 34, below.

†† With the exception of the route between China and North Vietnam, started some years ago.

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Table 1

Performance of the Merchant Fleets
of the Sino-Soviet Bloc a/
1957-61

<u>Area</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
<u>Million Metric Tons</u>					
USSR	65.7	70.8	73.5	75.9	78.5
European Satellites <u>b/</u>	5.0	5.8	7.4	9.9	13.0
Communist Far East <u>c/</u>	13.4	19.1	29.7	38.0	30.4
Total <u>d/</u>	<u>84.1</u>	<u>95.7</u>	<u>110.5</u>	<u>123.8</u>	<u>121.9</u>
<u>Billion Ton-Miles <u>e/</u></u>					
USSR	50.0	57.4	62.5	71.0	85.5
European Satellites <u>b/</u>	13.7	17.1	24.9	33.6	38.5
Communist Far East <u>c/</u>	7.1	8.3	11.5	15.2	12.0
Total	<u>70.8</u>	<u>82.8</u>	<u>98.9</u>	<u>119.8</u>	<u>136.0</u>

a. Including vessels under 1,000 GRT.

b. For details by country, see Table 7, p. 19, below.

c. For details by country, see Table 8, p. 26, below. Data have been amended in this report to eliminate the performance by Free World ships chartered by China to carry Chinese coastal cargo.

d. Because of rounding, components may not add to the totals shown.

e. Metric ton - nautical miles.

C. Coordinated Shipping Services in Southeast Asia

In 1961 and early 1962 the plans of the Bloc to establish a shipping cartel suffered some setbacks and some advances, but no major coordination moves were apparent in 1961 beyond the entry of China into the trade -- which may or may not have been in conjunction with the plans of the Eastern Bloc. The most significant developments occurred in the first 6 months of 1962.

In February 1962, Indonesia and the USSR signed an agreement to establish direct shipping service without third-party representation. In March, Indonesia offered Chinese ships preferential treatment in exchange for regular service, presumably at lower than Conference rates.

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In March 1962 the Burma Agents Corporation in Rangoon, which previously had been selected as future general agent for the cartel, reportedly was directed by the government of Burma not to provide cargo for Bloc ships. As a consequence, the Bloc decided to drop the Burma Agents Corporation as cartel coordinator and to move the headquarters for a general agency to Singapore. In May the Rumanian Economic Secretary at Rangoon applied for a visa to Singapore, where he was to organize a new headquarters for the cartel. The cartel was to be organized not only for the purpose of coordinating shipping services but also for cargo dumping, key dumping targets being Hong Kong, Singapore, and Djakarta. Developments in June 1962, reflecting an apparent change in the shipping policies of the Burmese government, resulted in the Soviet Black Sea Steamship Lines officially appointing Burma Agents Corporation as agents in Rangoon for both Soviet-owned and Soviet-chartered ships. It now appears that the trip of the Rumanian representative to Singapore was to appoint subagents rather than general agents. The original Soviet plan to place 10 to 12 Soviet ships into regular liner service from the Black Sea to the Far East (including Japan) is reported to be still in effect, with only the date moved forward from early 1962 to early 1963.

In spite of the delays in setting up the shipping cartel, there continued to be frequent instances of Bloc shipping undercutting established Conference tariffs. About May 1961, China sent the first Chinese-flag ships into the territory, calling principally at Burma, Indonesia, and Ceylon.* Evidence of rate cutting was obtained in Hong Kong, where rates charged by Chinese ships were 30 to 40 percent below Conference rates. No reports have yet been received of Chinese rate cutting from other ports.

In Bangkok, where 16 Polish ships and 2 East German ships called during the year, low rates were offered by the Polish ships inbound from Europe and by the East German ships outbound to Europe. There were several calls by Chinese-chartered ships for cargo between Thailand and China, including Hong Kong, which undoubtedly offered low rates. A Bangkok press item in February 1962 reported the decision of the Hong Kong - Bangkok Conference to reduce rates, which were raised in October 1961, because most of the cargo moving between Bangkok and Hong Kong was moving on non-Conference ships.

The two East German ships calling at Bangkok, both in October 1961, did so without official approval, and the Thailand Immigration Department issued a letter in February 1962 repeating that East German ships were not allowed to enter Thai ports. Permission was still granted Polish ships on an official "exception" basis.

* The terminus was recently expanded to Yemen but apparently not on a regular basis.

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In July 1961, East German rate-cutting activities at Rangoon eased because four ships on the Far East Line were shifted to the Cuban, Canadian, and South American runs. Two of the remaining three Far East Line ships which could have called at Rangoon called at Bangkok instead. Nevertheless, the Burma-Homeward Conference (Burma-UK/Continent), even in the absence of East German competition, had raised its rates by November to only about 70 percent of the level in effect before the East German slashing of rates.

D. Coordinated Shipping Service to West Africa

In the fall of 1961, East Germany officially joined Poland in shipping service to West Africa, and the joint operation was named the United West Africa Service (Uniafrika). Headquarters are still at Szczecin in the offices of the Polish Steamship Company, and the East German ships are served by the same network of representatives developed by the Polish Steamship Company. The joint line is composed of three ships of the VEB Deutsche Seereederei, four ships of the Polish Steamship Company, and four Western ships time-chartered by the Polish Steamship Company. Early in 1962, East Germany put two rebuilt banana boats (purchased in 1960 from France) into the service to Guinea, and these ships may eventually come under Uniafrika. According to published reports, the Czechoslovaks also were to join Uniafrika on 1 July 1962, but no Czechoslovak ships have been observed in this trade to date.

The agreement for Uniafrika is almost certainly a result of long debate in circles of the Council for Mutual Economic Assistance (CEMA), and there is evidence that Poland resisted East German incursions or demands on a Polish service that was proving to be of value to Poland. In the agreement to make it a joint service, not only is Czechoslovakia expected to join, but the Polish and East German press report that African countries also can enter the joint service. In July 1961, when the agreement was first signed, various East German sources reported that the Ghanaian Black Star Line was to join. This the government of Ghana denied, "protesting vigorously" to the East German Trade Representative in Accra. The Ghanaian company is a Conference member, is being advised by officials of the Israeli ZIM Navigation Company, and reportedly is doing well financially. Although there is no doubt that Ghana is the only West African country owning a shipping line which could be associated with the Uniafrika agreement, initially, at least, it has rejected membership.

One of the initial reports announcing the Uniafrika agreement revealed that the joint service would maintain its freight rates 10 to 15 percent below Conference rates in an attempt to break the Conferences. All later reports make no mention of Conferences or rates. The rate-cutting aspects of the earlier report do conform, however, to previous

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East German discussion on the subject of Conferences and capitalist monopolies and may be a true picture of the East German and possibly the CEMA attitude. The Polish line, however, may resist rate-cutting tactics, as Poland generally has a history of joining or associating with Conferences and otherwise cooperating with the international shipping organizations. It is believed that the West African service has been a profitable venture for the Polish Steamship Company (PZM).

When PZM first began this West Africa line in 1959, it carried 53,911 tons, including cargo carried by time-chartered ships. In 1960 these cargoes increased to 188,931 tons and to 309,000 tons in 1961. A proportion of the traffic was non-Polish cargo, including cargo to and from Western Europe, on which Poland earned foreign exchange. Under the joint agreement, calls will continue to be made on the out-bound trip at Portugal and inbound at France, Belgium, the Netherlands, West Germany, Denmark, and Sweden. It is unlikely that the East German ships, however, will make as many calls at non-Bloc European ports. The African end of the route has been divided into two ranges, northern and southern, covering 14 West African ports plus three optional ports. The East German ships are to serve, for the time being, only five of these ports: Conakry, Takoradi, Accra, Tema, and Lagos/Apapa.

E. Sino-Satellite Merchant Shipping Activities

In December 1961 China and Albania signed an agreement forming a joint stock shipping company, the third such Sino-Satellite shipping company.* Two Albanian ships are presently assigned to the Sino-Albanian Shipping Company: the Durres (5,100 DWT, built in Poland in 1961) and the Vlora (12,446 DWT, built in Italy in 1960), both acquired by Albania in 1961. It is certain that the Vlora was purchased at least with Chinese aid funds (\$3.1 million), and it may in fact be owned by China. The company plans to acquire more ships, and Albania has made inquiries in the Western secondhand ship market. Therefore, 1962-63 may see the purchase of one or two more ships of 10,000 to 12,000 DWT for the Sino-Albanian company.

II. USSR

A. Growth of the Fleet

During 1961 the Soviet maritime fleet acquired 435,000 DWT of new vessels. Although this figure is almost 30 percent less than

* The other two are the Chinese-Polish Shipbrokers Corporation (Chipol-brok), created in 1951, and the Czechoslovak Ocean Shipping Company ("international stock company"), created in 1959.

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the recordbreaking tonnage delivered in 1960, it is nevertheless greater than any tonnage delivered to the fleet during any year before 1960. Deliveries included 37 dry cargo vessels and 9 tankers for the Ministry of the Maritime Fleet and 10 refrigerator ships for the Ministry of the Fish Industry. The estimated value of these new vessels in current world market prices is \$128 million.

All of the vessels delivered were of new construction, and all were equipped with modern diesel, steam turbine, or gas turbine propulsion machinery, making them competitive with the latest vessels in the fleets of the Free World. Deliveries included lead vessels of a number of important classes scheduled for series production. Some important characteristics of the vessels in these classes are shown below:

Name of Lead Vessel	Type of Vessel	Country of Build	DWT	Speed (Knots)
<u>Omsk</u>	Dry cargo*	Japan	12,000	19
<u>Poltava</u>	Dry cargo*	USSR	12,500	17
<u>Krasnograd</u>	Dry cargo*	Finland	12,200	17
<u>Anguema</u>	Icebreaker-cargo**	USSR	7,100	16
<u>Bauska</u>	Tanker	Poland	19,000	16

The small proportion of tankers among the new classes of vessels introduced and the drop of more than 100,000 DWT in tanker deliveries during 1961 represent only a temporary lull in the expansion of the Soviet tanker fleet pending the acquisition of supertankers of the latest design.

The number, tonnage, and estimated costs of the ships added to the Soviet fleet in 1961 are shown in Table 2.***

Deliveries from each of the three major sources were significantly lower than in 1960. Deliveries from Soviet shipyards decreased the most, from 219,130 to 144,660 DWT.

After allowing for deletions from the fleet resulting from sinkings, retirements, and other causes, the net effect of the above deliveries was an increase in the size of the Soviet maritime fleet from 829 vessels

* Vessels of these classes have oversized hatch openings and superstructure aft to facilitate the carrying of aircraft, heavy industrial equipment, and other awkward cargo.

** These vessels are an improved version of the Dutch-built Lena class, designed for cargo-carrying operations under extreme arctic conditions.

*** Table 2 follows on p. 9.

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Table 2

Origins and Costs of Additions
to the Merchant Fleet a/ of the USSR
1961

<u>Area</u>	<u>Units</u>	<u>Deadweight Tons</u>	<u>Estimated Value ^{b/} (Million US \$)</u>
USSR	15	144,660	45.4
European Satellites	30	149,265	49.8
Free World	11	140,910	33.0
Total	<u>56</u>	<u>434,835</u>	<u>128.2</u>

a. Not including vessels under 1,000 GRT.

b. In terms of current Free World market prices.

totaling 4.5 million DWT at the end of 1960 to 871 vessels totaling 4.9 million DWT at the end of 1961 (see Table 10*). The combined effect of the deliveries and deletions in 1961 was a reduction in the average age of the vessels in the fleet from 14 to 13 years and favorable increases in the average size and average speed of these vessels.

B. Performance of the Fleet

During 1961 the cargo turnover of the Soviet maritime fleet exceeded 85 billion ton-miles (see Table 3**). This figure represents an annual increase of close to 15 billion ton-miles, almost twice the highest increase previously achieved. More important, it is 10 billion ton-miles greater than the cargo turnover anticipated for 1961 in the control figures of the Seven Year Plan (1959-65), a further indication that the Seven Year Plan will be overfulfilled by a wide margin.***

* Appendix, p. 33, below.

** Table 3 follows on p. 10.

*** The control figures are the planned performance figures for the individual years of the plan period envisaged at the time of the publication of the Seven Year Plan. There is no reason to expect these figures to correspond to the annual plan figures normally published near the beginning of each year, inasmuch as the latter reflect changes in expectations for fulfillment which may have occurred subsequent to the publication of the control figures. In the case of ton-mile performance by the Soviet maritime fleet, the control figures for the first 3 years of the Seven Year Plan have been exceeded by successively higher percentages: 1.8 in 1959, 5.7 in 1960, and 13.7 in 1961.

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Table 3

Performance of the Maritime Fleet of the USSR a/
1945, 1950, 1955-61, and Plans for 1962 and 1965

<u>Year</u>	<u>Million Metric Tons</u>	<u>Billion Ton-Miles</u> b/
1945	20.2	18.5
1950	33.7	21.4
1955	53.7	37.2
1956	57.7	44.5
1957	65.7	50.0
1958	70.8	57.4
1959	73.5	62.5
1960	75.9	71.0
1961	78.5	85.5
1962 Plan	86.8	109.4
1965 Plan	138.1 c/	172.2

a. Including vessels under 1,000 GRT.

b. Metric ton - nautical miles.

c. Estimated.

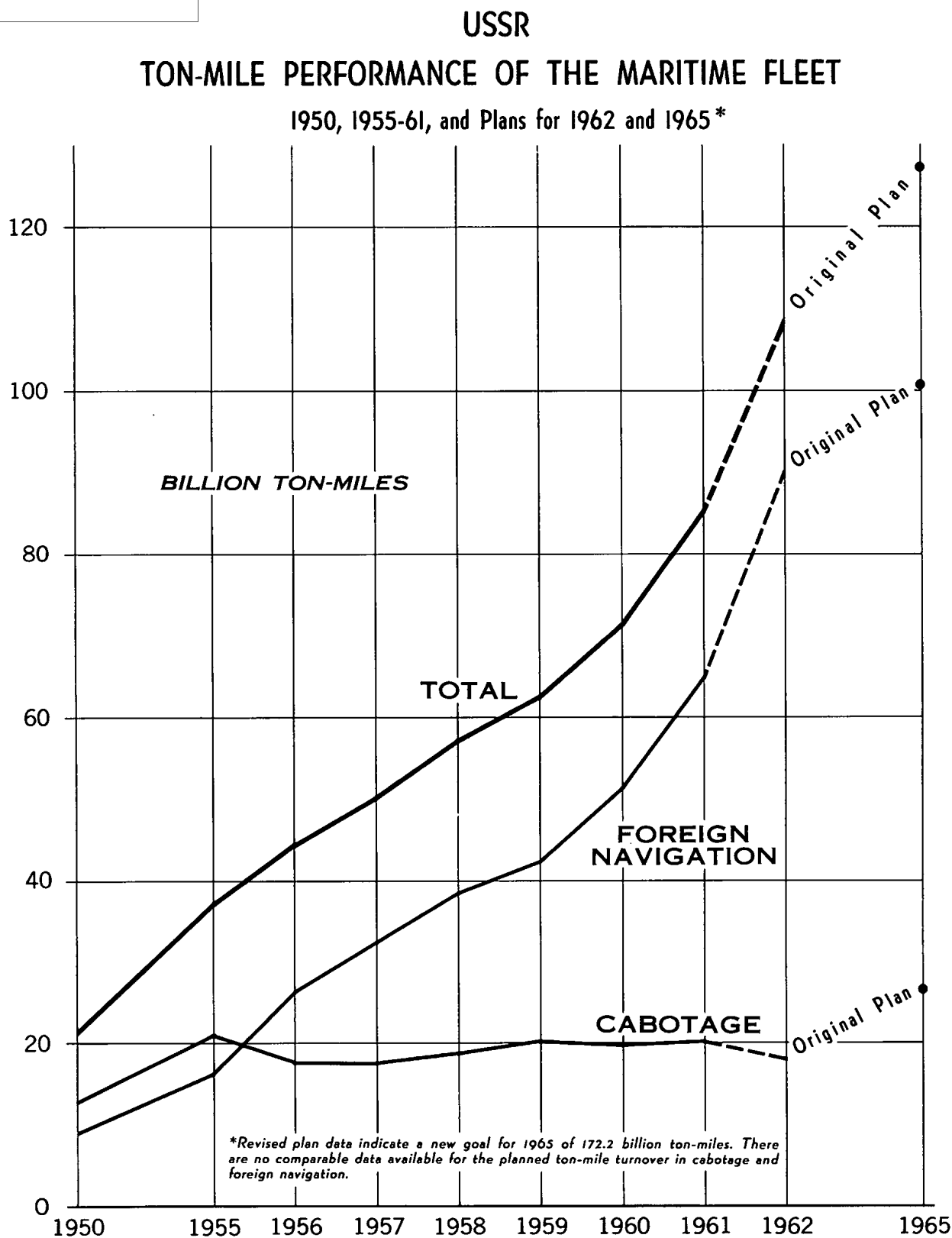
The growth in the cargo turnover of the Soviet maritime fleet since 1955 can be accounted for entirely by the increased activity of the fleet in carrying foreign navigation cargoes, most of them on Soviet account. As the chart* reveals, the cargo turnover performed in the carrying of Soviet cabotage (coastal and intercoastal) cargoes has actually diminished slightly since 1955, while that performed in carrying foreign trade and interport cargoes has increased by almost 300 percent.**

* Following p. 10.

** Soviet tonnage and ton-mile performance figures for the maritime fleet are normally divided between those performed in "cabotage navigation," which reflect the activities of Soviet vessels carrying coastal and intercoastal domestic cargoes, and "foreign navigation," which reflect the activities of Soviet vessels carrying Soviet foreign trade and cargoes between foreign ports (interport cargoes). The activities of vessels carrying intercoastal cargoes and cargoes between foreign ports make up a small part of the whole.

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In 1961, as in 1960, there was considerable disparity between the growth rate for cargo turnover measured in ton-miles and that for performance measured in tons of cargo carried. The volume of cargo carried by the Soviet maritime fleet increased by only 3.4 percent in 1961, whereas cargo turnover in ton-miles increased by 20.4 percent. This change indicates that the Soviet maritime fleet is engaging increasingly in longer distance trade. Thus the average length of haul has risen steadily, from 761 miles in 1957 to 1,089 miles in 1961.

C. Soviet Seaborne Foreign Trade

Soviet seaborne foreign trade increased from 45 million tons in 1960 to almost 59 million tons in 1961.* More than 60 percent of this increase resulted from the growth of exports of petroleum from Soviet Black Sea and Baltic ports (see Table 4) and of imports of sugar from Cuba.

Table 4

Exports of Petroleum from Ports of the USSR
1959-61

Million Metric Tons			
<u>Sea Basin of Origin</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
Black Sea	14.6	19.0	25.3
Baltic Sea	Negl.	1.5	2.1
Far Eastern	Negl.	0.2	0.1
Total	<u>14.6</u>	<u>20.7</u>	<u>27.5</u>

Exports of petroleum from Soviet ports increased by almost 7 million tons in 1961. Petroleum movements to Cuba, Italy, Japan, and Egypt accounted for 5 million tons of the increased exports. Deliveries were made for the first time to Burma and Yemen.

During 1961 the potential for exports from the Baltic was increased by the opening of Ventspils as the second Baltic petroleum port** and the delivery of additional tankers to the new and growing tanker fleet of the Latvian Steamship Company.

* This figure includes cargo carried in Soviet and foreign vessels (see Table 11, Appendix, p. 34, below).

** The first Soviet port on the Baltic to be used for the export of petroleum was Klaypeda. Shipments of petroleum from this port began at the end of 1959.

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The seaborne trade of the USSR with Cuba increased significantly during 1961. Soviet exports of petroleum to Cuba rose from 2.2 million to 3.8 million tons, while exports of dry cargo rose from 0.4 million to 0.5 million tons. Soviet imports of Cuban sugar increased from 1.5 million to 3.3 million tons.

In 1961, for the third successive year, the share of Soviet seaborne trade carried in Soviet vessels dropped. As Table 11 reveals,* although the actual volume carried in Soviet vessels increased from 18 million to 21 million tons, the percentage share carried by them dropped from 41 to 36 percent. Major factors in the disproportionately greater increase in the volume carried by foreign vessels were the sharp increases in the volume of exports of petroleum carried in foreign tankers, from 13.6 million to 18.6 million tons, and of imports of sugar in foreign dry cargo ships.

D. Increased Demands on Soviet Seaports

The rapid growth of Soviet seaborne trade has led to a correspondingly rapid growth in the volume of cargo handled by Soviet seaports. From the point of view of cargo handled, these ports appear to be meeting the demands placed on them, and in 1961 the volume of cargo handled by Soviet ports exceeded the plan. Nevertheless, port congestion has become a serious problem, resulting in expensive losses of time from prolonged demurrage by Soviet and foreign vessels and by railroad rolling stock. The seriousness of this problem led to the calling of a high-level meeting in Moscow on 30 January 1962 and was one of the factors behind Khrushchev's recent decision to create a special committee subordinate to the Council of Ministers to coordinate activities in the field of transportation. The meeting, attended by officials of the ministries responsible for rail and sea transport and foreign trade, emphasized the need for closer coordination among the ministries and organizations involved.

Poor coordination is not the only reason for port congestion. Soviet port officials complain that capital investment in pier frontage, warehouse space, and bunkering facilities in ports has not kept up with investment in new ships. Shipments of general cargo, which require a considerable amount of manual labor in handling, are increasing faster than shipments of bulk cargo. As a result, many ports are experiencing shortages of stevedores.

Some of the measures that the USSR is contemplating to relieve port congestion include stepped-up capital investment in ports, the specialization of ports in the handling of specific types and classes

* Appendix, p. 34, below.

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of cargo, and the diversion of manpower to key ports. Steps already taken include the raising of norms for longshore work and the establishment of new machinery for coordination between organizations in the fields of trade and transportation. During 1961, in an effort to utilize port facilities normally out of operation for part of the winter because of ice, the USSR began to use its newest and most powerful conventional icebreakers to extend the navigation seasons in a number of ports including Nagayevo, Riga, and Leningrad.

E. Preliminary Estimate of Progress in 1962

It appears likely that deliveries to the Soviet fleet during 1962 will be close to 740,000 DWT, considerably more than the previous high of about 603,000 DWT achieved in 1960. Deliveries of dry cargo vessels will include a heavy proportion of modern cargo liners of from 10,000 to 15,000 DWT with speeds in excess of 17 knots, among them new models from Polish and Danish shipyards. Seven of the 15 tankers planned for delivery in 1962 will be in the range of 19,000 to 35,000 DWT. The tankers in this size range will include the first four units under a contract with Japan for 35,000-DWT tankers of the Lisichansk class, a 32,000-DWT Sevoyo-class tanker from Yugoslavia,* a 28,970-DWT Pekin-class tanker from the USSR, and a 19,000-DWT Bauska-class tanker from Poland.

Combined deliveries of tankers and dry cargo vessels for the remaining years of the Seven Year Plan will average close to 1 million DWT per year. The USSR expects to exceed the goal of the Seven Year Plan for expansion of the fleet as a whole by 1 million tons. This fact is deceiving, however. It appears likely that the tonnage of the tanker fleet at the end of 1965 will exceed the original plan control figure by as much as 103 percent, while the tonnage of the dry cargo fleet will be as much as 8 percent below plan. The chief reason for the stepping up of tanker acquisitions appears to have been a rise in

* Under the original terms of a trade agreement between Yugoslavia and the USSR signed in the spring of 1961, Yugoslavia was to deliver 16 tankers of 25,400 DWT to the USSR during 1961-65. The USSR and Yugoslavia have subsequently announced the signing of a contract under which Yugoslavia is obliged to deliver nine tankers of 20,800 DWT during 1964 and 1965. In view of the large number of vessels currently on order in Yugoslav shipyards for Free World and Satellite owners, it appears likely that the deliveries specified under the contract are intended to replace rather than supplement those specified under the trade agreement. Even assuming a reduction in planned deliveries from Yugoslavia, deliveries of tankers of 19,000 DWT and above planned for 1962-65 total 28 vessels with a combined tonnage of close to 1 million DWT.

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output and in exports of petroleum that was not anticipated at the time the plan was drawn up. The prospective failure to fulfill the plan for the acquisition of dry cargo vessels reflects reduced expectations for increases in the volume of dry cargo moved rather than difficulties in building or buying such vessels.

The record-breaking increase in the tonnage of the fleet planned for 1962 should be reflected in the performance of the fleet. Cargo turnover in ton-miles is planned to increase by 28 percent. There is no reason to believe, however, that this high rate of growth will continue into the remaining 3 years of the plan period. Recently it has been revealed that the USSR expects cargo turnover in 1965 to be three times rather than two times the level of 1958 as originally planned. To achieve the new goal, the average annual increase in turnover during 1963-65 will have to average only 16 percent.

Prospects for fulfillment of the Seven Year Plan goal for the volume of cargo carried looked doubtful through the end of 1961.* During the first 3 years of the plan period the average annual increase in this series has remained below 4 percent. The planned increase for 1962 of 10.6 percent and the revised 1965 goal for cargo turnover indicate, however, that this series will rise at an increased rate during 1963-65. As previously pointed out, the contrast in the outlook for fulfillment of the Seven Year Plan performance goals in ton-miles and tons carried stems from an increase in the average length of haul that was not foreseen in 1958 when the plan was formulated. If during 1963-65 the average length of haul remains at the level planned for 1962, 1,260 miles, the original goal for 1965 for increase in cargo volume should be overfulfilled.

Significant increases are anticipated for 1962 in the volumes of timber, ore, sugar, coal, machinery, and petroleum carried by the Soviet fleet in all classes of navigation. The volume of petroleum exported from the Baltic will increase by almost 100 percent to 4 million tons in 1962. To attain this performance, the USSR is planning the transfer of a number of 11,500-DWT tankers of the Kazbek class from the Black Sea to the jurisdiction of the Latvian Steamship Company in the Baltic. It is planned to increase the size of the tanker fleet subordinate to the Latvian Steamship Company to between 40 and 50 units by the end of 1965. This increase will be accomplished partly by the transfers from the Black Sea and partly by deliveries of new vessels, including tankers of 19,000 DWT from Poland and 20,800 DWT from Yugoslavia.

The volume of timber exported to Japan, Cuba, Communist China, and other countries from the Soviet Far East is planned to double in 1962 for a total of 1.4 million tons.

* See Table 3, p. 10, above.

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III. European Satellites

A. Growth of the Fleets

1. General

In 1961, although the additions to the combined European Satellite fleets were less than in 1960, the rate of growth was the highest in the Sino-Soviet Bloc. As a result, the combined fleets of the European Satellites accounted for 22 percent of the Bloc carrying capacity in 1961 compared with only 20 percent in 1960 (see Table 10*).

Both East Germany and Poland added fewer oceangoing ships in 1961 than in 1960, although East Germany carried on extensive negotiations for secondhand ships. Ship deliveries have been up in the first half of 1962 for both Poland and East Germany, and the growth of their fleets probably will accelerate in 1962. Rumania in 1961 made considerable progress toward attaining the planned goal for 1965,** and Bulgaria also was active in ship purchases in 1961, exceeding the tonnage plan for the year. Albania in 1961 acquired its first large ship (12,400 DWT), which was purchased for the new Sino-Albanian Shipping Company.

2. Origins and Costs of Added Tonnage

In 1961, as in 1960, the pattern of acquisitions by the European Satellites showed an increase in the purchase of secondhand ships from the West, although the buying patterns of the individual Satellite countries changed considerably. Poland bought about the same amount of secondhand tonnage as the year before. Bulgaria and Albania were the only other countries to buy secondhand ships, Bulgaria having purchased exclusively secondhand and in an amount exceeding the purchases of Poland and Albania combined. East Germany, which acquired more than half of its additional tonnage in 1960 through the purchase of secondhand ships, bought none in 1961. The cost of Satellite ship purchases in 1961 (not including ships under 1,000 GRT) is estimated to have been about \$65.4 million (see Table 5***), an amount that is almost identical with the estimated costs in 1960 of \$65.0 million.

Purchases from non-Bloc shipyards, which accounted for almost 18 percent of all vessel tonnage acquired, were only slightly

* Appendix, p. 33, below.

** Three of the ships reported to have been added by Rumania in 1960 in the account by this Office of merchant shipping in the Sino-Soviet Bloc for 1960 actually were delivered to the fleet in 1961.

*** Table 5 follows on p. 16.

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Table 5

Origins and Costs of Additions to the Merchant Fleets
of the European Satellites a/
1961

Country	Total <u>b/</u>	Secondhand Ships	Newly Built Ships	
			From Bloc Shipyards <u>c/</u>	From Non-Bloc Shipyards <u>d/</u>
Thousand Deadweight Tons				
Poland	127.1	43.0	44.7	39.5
East Germany	50.1	0	50.1	0
Czechoslovakia	0	0	0	0
Bulgaria	71.4	71.4	0	0
Rumania	29.5	0	16.7	12.8
Hungary	1.3	0	1.3	0
Albania	17.5	12.4	5.1	0
Total	<u>297.0</u>	<u>126.8</u>	<u>117.9</u>	<u>52.3</u>
Million US \$				
Poland	28.0	1.4	16.0	10.6
East Germany	16.3	0	16.3	0
Czechoslovakia	0	0	0	0
Bulgaria	4.5	4.5	0	0
Rumania	11.3	0	7.5	3.8
Hungary	0.7	0	0.7	0
Albania	4.6	3.1	1.5	0
Total	<u>65.4</u>	<u>9.0</u>	<u>42.0</u>	<u>14.4</u>

a. Not including vessels under 1,000 GRT.

b. Because of rounding, components may not add to the totals shown.

c. Estimated costs of ships built in Bloc and Yugoslav shipyards represent the values at prices prevailing at those Western shipyards whose costs are believed to be most comparable with those at Bloc and Yugoslav shipyards.

d. All from Yugoslav shipyards.

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higher than in 1960 and were still well below the 1959 level of 32 percent. All ships delivered from non-Bloc shipyards in 1961 were from Yugoslavia. Although Poland took delivery in early 1962 of a ship of 8,400 DWT from French yards and has two ships totaling 24,800 DWT on order in a Danish yard, Yugoslavia will still be a large supplier in 1962. There have been negotiations by various Satellite countries concerning ships for order or presently being built in Japanese, Norwegian, West German, Spanish, and other Western yards, but no firm orders have been placed.

Seven tankers were added to the European Satellite fleets in 1961: two from Soviet yards, one from a Yugoslav yard, and four (purchased secondhand) from the West.

3. Characteristics of the Fleets

As shown in Table 6, only the Rumanian fleet declined in 1961 in terms of average size, and the average size of the combined

Table 6

Characteristics of the Merchant Fleets of the European Satellites a/
1960-61

<u>Country</u>	<u>Average Size b/ (Deadweight Tons)</u>		<u>Average Age (Years)</u>		<u>Average Speed (Knots)</u>	
	<u>1960</u>	<u>1961</u>	<u>1960</u>	<u>1961</u>	<u>1960</u>	<u>1961</u>
Poland	7,060	7,250	13.4	12.7	13.4	13.5
East Germany	8,310	8,320	9.7	9.0	14.2	14.2
Czechoslovakia	10,300	10,450	9.3	8.1	14.7	14.7
Bulgaria	4,940	6,620	13.5	13.7	11.7	11.8
Rumania	4,900	4,580	36.3	20.5	12.1	12.3
Hungary	1,210	1,220	8.0	7.9	10.2	10.1
Albania	2,800	4,780	2.0	2.5	11.5	12.5
All European Satellites	6,850	7,020	13.1	12.0	13.2	13.3

a. Not including vessels under 1,000 GRT.

b. Rounded to the nearest 10 DWT.

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fleets increased by 2 percent to 7,020 DWT. This figure is to be compared with a world average of 10,170 DWT for ships of 1,000 gross tons and above. All fleets except those of Bulgaria and Albania declined in average age. The average age for the combined fleets at the end of 1961 was 12 years, which compares favorably with the world average of between 14 and 15 years. The average speed, 13.3 knots for the combined fleets, is on a level with the estimated average speed of the world fleet. Improvement in average speeds of the individual fleets is almost imperceptible and will not be significant until additions to the European Satellite fleets include a considerably greater proportion of newly built ships of 8,000 DWT and above.

B. Performance of the Fleets

Performance in ton-miles of the Satellite fleets in 1961, including ships of less than 1,000 GRT, was again considerably greater than that of the Soviet or Chinese Communist fleets in relation to the quantity of tons carried, a result of the continued longer average hauls by European Satellite ships (see Table 7*). In 1961, as in 1960, the Soviet fleet engaged to a slightly greater extent in longer ocean hauls, but the average length of haul was still less than one-third of that of the European Satellite fleets. As shown in the tabulation below, the performance of the European Satellite fleets continued to show a larger rate of growth than the capacity of the combined fleets, an indication of improving operating efficiency:

	<u>Percent of Increase**</u>		
	<u>1958</u>	<u>1959</u>	<u>1960</u>
Capacity in deadweight tons	31.5	26.6	24.4
	<u>1959</u>	<u>1960</u>	<u>1961</u>
Performance			
Tons carried	27.5	34.0	31.9
Ton-miles	45.9	34.9	14.5

* Table 7 follows on p. 19.

** Comparison of the performance increase with the capacity increase of the year before is more valid than comparison for the same years because ships are added at varying times during any year. An even better method would be to use the increase in the average capacity of the fleet during the year, but at present available information does not permit the use of this method.

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Table 7

Performance of the Merchant Fleets of the European Satellites a/
1957-61

<u>Country</u>	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>Estimated</u> <u>1961</u>
<u>Thousand Metric Tons</u>					
Poland <u>b/</u>	3,397	3,879	4,646	6,200	8,600 <u>c/</u>
East Germany	370	593	981	1,375	1,592 <u>c/</u>
Czechoslovakia	125	142	307	494	511 <u>c/</u>
Bulgaria	718	762	898	1,064	1,370 <u>c/</u>
Rumania	224	217	215	195	343 <u>c/</u>
Hungary	50	53	76	91	110
Albania	133	123	232	440	480 <u>d/</u>
Total	<u>5,017</u>	<u>5,769</u>	<u>7,355</u>	<u>9,859</u>	<u>13,006</u>
<u>Million Ton-Miles <u>e/</u></u>					
Poland <u>b/</u>	10,611	12,052	15,900	21,700	25,000
East Germany	449	2,017	4,909	5,649	6,126 <u>c/</u>
Czechoslovakia	1,266	1,277	2,225	4,035	4,100
Bulgaria	840	1,133	1,134	1,370	1,700 <u>c/</u>
Rumania	493	514	529	575	1,167 <u>c/</u>
Hungary	70	69	101	124	150
Albania	18	16	114	155	231 <u>d/</u>
Total	<u>13,747</u>	<u>17,078</u>	<u>24,912</u>	<u>33,608</u>	<u>38,474</u>

a. Including vessels under 1,000 GRT.

b. Including Chipolbrok vessels.

c. Published data.

d. Published data are conflicting, and these estimates may be low.

e. Metric ton - nautical miles.

C. Utilization of Foreign Shipping

The European Satellite countries used foreign ships in 1961 (including other Bloc ships) to carry an amount estimated at 30 million tons, or about 77 percent of their seaborne foreign trade compared with 81 percent in 1960. It is estimated that Bloc ships carried about

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5 million tons of this trade,* leaving about 25 million tons to be carried by Western ships. This was a slight decrease from about 26 million tons in 1960.

Preliminary data on total European Satellite seaborne trade and those amounts carried by the individual fleets indicate that in 1961, for the first year since 1957, the use of foreign vessels did not increase. This situation is a result of two main factors: the total seaborne trade of the Satellites apparently increased only 4 percent above 1960, whereas carriage of their own trade by Satellite ships increased 31 percent, and Satellite carrying capacity is approaching the level of increase necessary to keep pace with growing seaborne trade. CEMA goals, however, call for at least 50 percent of seaborne trade to be carried in CEMA vessels, including the trade of the USSR. If the rate of increase in the volume of trade in 1962 picks up to its previous levels of 10 to 20 percent, increases in Satellite carrying capacity must accelerate faster than indicated by present fleet plans for 1965 (see Table 12**). Otherwise, Western ships will continue to carry 65 to 70 percent of European Satellite seaborne foreign trade.

D. Other Developments

1. Poland

Poland inaugurated one new line -- that to Cuba -- in 1961, augmented several others, and dropped Albania as a port of call on the Levant Line. By November 1961, there were five Polish ships in the Cuban trade (compared with six in the US trade), permitting two sailings a month for Cuba. The South America line was brought up to 11 Polish ships plus 2 time-chartered ships, and a twelfth Polish ship was added early in 1962. The Poland-India Line was assigned six Polish ships and one time-chartered ship as a result of a new shipping agreement signed in 1961 with India. Under the old agreement, dating back to 1956, the India line was served by two Polish ships at best. The Red Sea - Persian Gulf Line, inaugurated in 1960, has utilized from three to five ships. Plans may be to expand this line, as the ships are reported to be running full. The Levant and Black Sea Lines were served by 13 scheduled dry cargo ships (not including tramps) and

* Including about 1.5 million tons carried by Polish ships and estimated amounts of 3.0 million to 3.3 million tons carried by Soviet ships, the latter mainly between the European Satellites and the USSR.

** Appendix, p. 37, below. One Polish maritime economist, taking into account the constantly increasing trade, recently claimed the need for a minimum CEMA fleet capacity in 1970 of 24 million DWT (almost four times the capacity of the Soviet and Satellite fleets in 1961) to handle a volume of trade 1.6 to 2.0 times the present volume.

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5 tankers compared with 5 scheduled dry cargo ships and 2 tankers in 1957. The number of ships assigned to the Far Eastern Lines remained about the same. The volume of cargo carried by this line may have declined slightly during 1961, but the net foreign exchange earned on the Far Eastern Lines increased, indicating more foreign interport and general cargo carried than in 1960.

2. Albania

The rift between Albania and the USSR brought several changes in the pattern of shipping services to and from Albania. Notable are the formation of the Sino-Albanian Shipping Company* and the drop in trade with the USSR, resulting in far fewer Soviet ships calling at Albania. Although Satellite ships also stopped calling or decreased the number of calls at Albania, the volume of trade between Albania and the Satellites did not decrease drastically as did Soviet-Albanian trade. The result was that non-Bloc ships carried increased amounts of Albanian cargo to the Satellite countries, thereby causing the Satellites to expend greater amounts of convertible foreign exchange. In spite of the drop in traffic moving between the USSR and Albania (from about 700,000 tons in 1960 to about 400,000 tons in 1961), increased trade with Communist China and with non-Bloc countries was enough to account for a 200,000-ton increase in total Albanian seaborne foreign trade.

The most aggressive step taken by any European Satellite in the Albanian rift was the refusal by Poland to turn over to Albania in November a 5,100-DWT cargo ship built in Polish yards which was added to the Polish fleet instead. Whether or not this action was taken on Soviet orders, the Albanian government used it as the excuse to retaliate by holding a Soviet ship in an Albanian port for almost a month by various delaying tactics.

3. East Germany

a. Areas of Service

In 1961, East Germany added two new services, one to West Africa** and one to Cuba. By January 1962, six East German dry cargo freighters of the 10,000-DWT class, representing 20 percent of the vessel tonnage of the East German oceangoing fleet, were in the Cuban trade, four having been drawn from the Far East service and one from the Murmansk-Baltic area. The sixth made her maiden voyage to Cuba in June 1961. In the summer months of 1962, some of these ships

* See I, E, p. 7, above.

** See I, D, p. 6, above.

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were transferred to other areas of operation as sugar shipments to East Germany fell off, and only three freighters totaling 30,920 DWT remained in the trade.

b. Seaborne Foreign Trade and Port Traffic

Although East German ports handled a larger share of East German seaborne foreign trade in 1961 (more than 70 percent compared with about 60 percent in 1960), the ambitious plans for 1961, for both total sea trade and East German port traffic, were by no means met. Plans published in 1959 called for 7.7 million tons to be handled in East German ports and 1.7 million tons to be handled by foreign ports. The port of Rostock alone, including the development of the new Petersdorf overseas harbor in Rostock, was to handle 2.8 million tons in 1961. The contrast between plans and performance is as follows:

<u>Port</u>	<u>Million Tons</u>		
	<u>Plan</u>	<u>Performance</u>	
	<u>1961</u>	<u>1961</u>	<u>1960</u>
All ports*	<u>9.4</u>	<u>7.2</u>	<u>7.1</u>
East German ports	7.7	5.2**	4.3**
Of which:			
Rostock***	2.8	2.6	1.4
Polish ports	{ 1.7	0.6	1.1
Hamburg		1.4	1.6

Statements in the East German press during 1961 varied from glowing reports on the accomplishments in the Rostock-Petersdorf development to admissions of delays in various specific construction aspects of the project. Although construction of the new port of Petersdorf is undoubtedly progressing, it having handled 418,000 tons in 1960 (beginning in May 1960) and 1.8 million tons in 1961, it seems unlikely that Petersdorf will handle the planned 4.3 million tons in 1962.

* Because of rounding, components may not add to the totals shown.

** Not including a little more than 100,000 tons believed to be coastal and transit trade.

*** Including both old and new sections of Rostock port.

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Unless the preliminary reports received of traffic through Hamburg are incorrect, the decrease of only about 12 percent (200,000 tons through Hamburg) compared with a decrease of 45 percent (500,000 tons) in traffic through Polish ports is an interesting development. East Germany has consistently publicized the need for reducing traffic through Hamburg in order to avoid payment in West German marks and until 1961 traffic through Polish ports expanded rapidly, partly at the expense of Hamburg traffic. The division of traffic in 1961 suggests two circumstances: the possibility of occasional congestion in Polish ports and, principally, the continuing necessity to utilize the liner connections available in Hamburg, which vastly outnumber those available in the Bloc Baltic ports.

E. Preliminary Estimate of Progress in 1962

1. Growth of the Fleets

In the first half of 1962 the European Satellites acquired 24 ships, totaling 220,000 DWT, compared with 297,000 DWT for the entire year of 1961. Judging by ships launched but not yet delivered, as well as by negotiations on the secondhand market and announced or reported plans, net additions should reach at least 350,000 DWT in 1962, the largest increase in postwar years and at least 35 percent above the former peak year of 1960.

Although the Polish and East German fleets probably will show the largest additions for the full year, Rumanian ship purchases in the first half of 1962 were only 8,000 DWT below Polish and East German acquisitions. Two of the ships purchased by Rumania are 19,000-DWT tankers, the first tankers in the Rumanian fleet. In previous discussions of its fleet plans, Rumania has mentioned tankers but emphasized dry cargo ships in spite of the fact that petroleum shipments account for more than 75 percent of the total estimated seaborne foreign trade of the country. It is too early to assess whether these two purchases point to a larger emphasis on tankers than indicated in the 1965 fleet estimates in Table 12.*

2. Utilization of Polish Vessels

During 1962, Poland is planning a change in the emphasis on types of services for the first time in at least 5 years. A considerably faster growth in vessel tonnage in unscheduled (tramp) service is expected in 1962, whereas in preceding years increasing amounts of tonnage were placed in liner services. Plans to increase the share carried by Polish ships of bulk cargo handled in Polish ports may reflect the intention of providing greater service to Czechoslovak import cargo (mainly bulk cargo) as well as Polish bulk cargo.

* Appendix, p. 37, below.

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Polish service to the West African and South American areas (probably including Cuba) is expected to show the most rapid growth in the liner services. The growth in liner services to East Asia and North America and in the Baltic will be slowed down, although apparently some tonnage will be added.

3. Seaborne Foreign Trade

The leveling off in volume of European Satellite seaborne foreign trade in 1961 from the expansion observed in 1959 and 1960 probably will continue in 1962, with trade increasing by no more than 2 million tons. The trade of Poland, comprising almost 45 percent of the Satellite seaborne foreign trade, may increase by only a small volume if at all. The share carried by non-Bloc ships, as well as the volume, is expected to decrease.

The most drastic change in the trading pattern in the Bloc will be in Albanian trade. Whereas trade with Communist China in 1959 amounted to less than 10 percent of total trade and increased to 28 percent in 1960, Albania expects China to account for almost 60 percent of its trade in 1962. This being so, the two ships of the Sino-Albanian Shipping Company undoubtedly will continue to be employed exclusively in the Albania-China route rather than being deployed to serve other areas also as was claimed in official announcements concerning the formation of this company.

IV. Communist Far East

A. General

A number of interesting developments occurred in merchant shipping in the Communist Far East during 1961. Most important was an increase of almost 30 percent in the amount of China's seaborne foreign trade, nearly all of which was carried by foreign ships chartered by China. The increased tonnage consisted mainly of bulk food items which the Chinese imported from Western countries to relieve the mainland food shortages.

There also was a significant drop in performance by both Chinese ships and chartered ships operating on the China coast. The decline in coastal traffic together with the fact of only small additions to the size of the Chinese coastal fleet reflected the worsening economic situation in China during 1961. The long-anticipated venture of Chinese-flag ships in international trade began during 1961 with the use of two Chinese-built ships and one Western-built ship.

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North Korean ports, which had been closed to foreign trade since the Korean War, became fairly busy with Bloc and non-Bloc ships in the harbors. North Korea also began acquiring an oceangoing fleet during 1961 with the launching of a 3,000-DWT cargo ship and the transfer to the North Korean flag of a former Bulgarian ship of 3,032 DWT. North Vietnam acquired a number of small-size ships and tugs and is engaged in negotiations to purchase cargo ships of considerable size. The combined performance of the fleet of North Korea and North Vietnam, however, was only 1 percent of that of the Chinese fleet (see Table 8*).

B. Performance of the Fleets

Although there is considerable uncertainty regarding Chinese shipping in 1961, total performance of Chinese ships in that year is estimated to have been about 27 million tons carried, about the same as in 1959 and 23 percent less than in 1960. An additional amount of 1.2 million tons was carried in 1961 on foreign-chartered ships in Chinese coastal trade compared with 5.1 million tons carried by foreign ships in 1960. The level of coastal shipping activity during 1961 declined from a high point in March and continued at a low level even during the fall months, when transport volume is normally the largest. The decline is attributed to a number of problems but principally to the lack of cargo to be transported.

The lack of cargo for Chinese ships was described by the master of one foreign-chartered ship as being serious. Although specific reports of a lack of cargo are scarce, the conclusion that there was not nearly as much cargo to be transported as in previous years can be drawn from the absence of the usual reports of large backlogs and shortages of transport capacity. Other problems such as scarcity of fuel, stevedores, and materials for repairs were present, but it is unlikely that they could have accounted for much of the decline. Harbor congestion and long delays in port were reported only at major foreign trade ports. Although harbor facilities at the major ports have been improved considerably and expanded during recent years, the large increase in imports of bulk commodities, such as grain and sugar, taxed facilities at specific ports. To cope with the congestion, the Chinese installed special equipment such as suction-type grain unloading machines, diverted some foreign-trade ships to minor ports, carried out stevedoring on a 24-hour basis, and in general tried to improve efficiency.

The shortage of food in China created a number of problems in water transport in 1961. In addition to the fact that malnutrition lowered worker efficiency aboard ships and in the ports, ships were known to have slowed their speed in order to fish en route. Stevedores

* Table 8 follows on p. 26.

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Table 8

Estimated Performance of the Merchant Fleets
of the Communist Far East a/
1957-61

	<u>1957</u>	<u>1958</u>	<u>1959</u>	<u>1960</u>	<u>1961</u>
<u>Country</u>	<u>Million Metric Tons</u>				
Communist China	12.19	16.95	26.7	34.8	26.8
North Korea	1.1	2.0	2.8	3.0	3.4
North Vietnam	0.06	0.15	0.19	0.21	0.24
Total <u>b/</u>	<u>13.4</u>	<u>19.1</u>	<u>29.7</u>	<u>38.0</u>	<u>30.4</u>
	<u>Million Ton-Miles <u>c/</u></u>				
Communist China <u>b/</u>	7,100	8,300	11,400	15,100	11,900
North Korea	20.3	37.2	56.1	73.4	89.4
North Vietnam	10.6	18.1	30.5	40.0	46.4
Total <u>b/</u>	<u>7,100</u>	<u>8,300</u>	<u>11,500</u>	<u>15,200</u>	<u>12,000</u>

a. Including vessels under 1,000 GRT. These figures do not include the performance of chartered Free World ships in Communist China's coastal trade. Figures for North Korea include inland water traffic which, however, is only a small portion of the total. Because the official performance figures for Communist China for 1960 and 1961 are not available, these estimates are subject to much wider margins of error than the other figures appearing in this table.

b. Data are rounded to the nearest 100,000 tons and 100 million metric ton - nautical miles. Totals are derived from unrounded data and may not agree with the sums of the rounded components.

c. Metric ton - nautical miles.

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were included in the drive to return former agricultural workers to their home areas to aid food production, leaving the ports without sufficient labor. Moreover, the wholesale movement of large groups of farm workers created problems for all forms of transportation. Along the coast a few cargo ships were diverted entirely to carrying passengers or were forced to open holds to passengers and reduce their cargo loads. The number of passengers carried was at an all-time high during the summer and fall, but still the number of passengers awaiting transportation created serious problems.

Operating problems, which became more acute in 1961 than in the previous year, included shortages of repairs for ships and harbor machinery and problems of poor maintenance of navigational routes. Funds for capital repairs and improvements at various harbors were cut back or delayed. Fuel problems at least continued during 1961 and possibly became more serious. Besides local shortages of fuel, both coal and domestically produced petroleum products were noted to be of such poor quality that at times Chinese ships could not operate while using them.

C. Utilization of Foreign Shipping

Although China carried nominal amounts of foreign trade cargoes on its own ships in 1961, it still had to utilize increased amounts of foreign shipping to move its expanding foreign trade. The country's seaborne foreign trade amounted to between 14 million and 15 million tons in 1961, an increase of at least 3 million tons above the level of 1960. All of this trade was carried on foreign ships except the small amount carried by the three Chinese vessels in international trade. Because of the decline in the amount of Chinese coastal traffic carried on foreign vessels from 5.1 million tons in 1960 to 1.2 million tons in 1961, however, the total Chinese traffic carried by foreign ships decreased slightly.

China had an increased need for international shipping in 1961 to carry imports of grain, sugar, and fertilizer. It is estimated that between 14 million and 15 million tons of cargo moved in and out of China by sea in 1961, of which about 9.5 million tons were imports and about 5 million tons were exports. In 1960, imports amounted to 4.6 million tons, and exports were 6.6 million tons. In 1961 a total of about 740 voyages by chartered ships was required to carry the principal bulk imports compared with less than 400 voyages by chartered ships for all inbound cargo in 1960. In 1961, China chartered 192 ships on time charter and 505 other ships for one or -- in a few instances -- two voyages each. Ships chartered by China amounted to a daily average of 2.1 million DWT. By comparison, the 175,000 DWT of ships that are surplus in coastal traffic is small, but the saving in foreign exchange would be substantial if these ships could be transferred into international operations.

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Foreign ships probably would have been used in the China coastal trade even less than they were in 1961 if Chinese Communist ships could have passed by Formosa. Cargo carried by foreign ships in 1961 is believed to have consisted almost exclusively of iron ore moving from Hainan Island to North Coast ports. The Chinese Communist fleet had the capacity to transport the iron ore, but these ships could have been intercepted by the Chinese Nationalists.

D. Chinese Ships in International Trade

During the first half of 1961 the Chinese Communists finally initiated an international shipping service and assigned three ships to run between the south coast of China and the Bay of Bengal, with stops at least at Djakarta, Rangoon, and Colombo. One ship is an old British-built passenger-cargo ship of about 8,800 DWT recently acquired by the Chinese. During 1961 it made four trips to Indonesia, probably returning with Chinese repatriates from Indonesia. The other two ships, built by the Chinese within the last 4 years, are of 5,000 to 6,000 DWT. These two ships probably carried about 150,000 tons of cargo in 1961, consisting principally of rice for Indonesia, general cargo and sugar for Rangoon, cement for Colombo, and rubber from Djakarta and Colombo. Although the quantity of goods carried was comparatively small, the rates quoted in Hong Kong for the Chinese line were 30 to 40 percent below Conference rates. Because of this development, the entry of China into international shipping, in addition to giving the country prestige and more opportunity for economic penetration in South and Southeast Asia, portends a possible disruption in Far Eastern freight markets as China expands its merchant fleet.

E. Growth of the Chinese Fleet

At the end of 1961 the Chinese merchant fleet included 156 ships* totaling about 736,000 DWT (see Table 10**). Of the nine ships added to the fleet in 1961, two ships were used tankers, accounting for nearly 50 percent of the total deadweight tonnage added; one was a large passenger-cargo ship; and the remainder were dry cargo ships. The addition of the tankers doubled the tonnage of the tanker fleet, and although the newly added tankers are generally considered to be large for efficient operation along the China coast, they have not been observed in international trade.

Acquisitions in 1961 resulted in an increase in the fleet capacity of only 8 percent compared with an increase of 23 percent in 1960. The continued decline in the rate of acquisitions from the high level

* Including only ships of 1,000 GRT or above.

** Appendix, p. 33, below.

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of 1958-59 was the result chiefly of difficulties experienced in domestic shipbuilding. With the existing fleet operating at a lower level in 1961 than in the previous 2 years, there may have been less urgency to increase the size of the fleet. The few foreign acquisitions during 1961 were added early in the year, perhaps as the result of contracts completed during 1960.

Construction was completed on a number of domestically produced ships, including the Leap Forward and the East Wind, but these ships were not observed in operation during 1961. The reason for the delay presumably is difficulties with machinery aboard ship and lack of navigation components. It was expected that the Chinese would wait for the Leap Forward to begin international shipping operations. The decline in availability of cargoes undoubtedly made it possible to release some cargo vessels for use in international trade without waiting for the Leap Forward.

Additions to the fleet during 1961 cost China an amount estimated at \$10.2 million. About \$7.6 million of this total represented the cost of building three ships totaling 12,500 DWT in domestic yards. A fourth Chinese ship was transferred to the coastal fleet from a river fleet, and its value is not included in the above total. The remaining \$2.6 million constituted the estimated cost to China of five ships totaling 42,000 DWT purchased or transferred from foreign countries. Three of the foreign ships were from Norway, one was from Poland, and one was from Czechoslovakia.

Although acquisitions in 1961 continued from both Bloc and non-Bloc sources (see Table 9*) the number of ships and percentage of the total tonnage acquired from non-Bloc countries declined from the high level of the past few years. In 1961, about 37 percent of the total tonnage acquired came from non-Bloc sources compared with an average of about 60 percent during 1958-60. On the other hand, acquisitions from Bloc countries accounted for 39 percent of the total tonnage in 1961 compared with less than 10 percent in 1960.

F. Preliminary Estimate of Progress in 1962

Economic activity in Communist China during 1961 may have slumped to its lowest level, but it is rather unlikely that there will be much recovery during 1962. Food imports are expected to reach a high level again in 1962, with continued reliance on chartered Western ships for transportation. Growth of the fleet may be even less than in 1961. One cargo ship of 10,000 DWT, recently built in Poland, has traveled to China under the Chinese flag. It is possible that this ship and other fairly large ships will be added to the international shipping fleet during the year and that Chinese-flag ships will extend their routes.

* Table 9 follows on p. 30.

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Table 9

Origins of Additions to the Merchant Fleet a/
of Communist China
1957-61

Origin	1957		1958		1959		1960		1961	
	Number of Vessels	Percent of Total Tonnage	Number of Vessels	Percent of Total Tonnage	Number of Vessels	Percent of Total Tonnage	Number of Vessels	Percent of Total Tonnage	Number of Vessels	Percent of Total Tonnage
Domestic yards	0	0	6	18.6	10	35.8	7	18.3	4	24.5
Bloc countries	15	95.1	6	20.2	2	14.8	1	7.0	2	38.9
Non-Bloc countries	1	4.9	10	61.2	7	49.4	12	74.7	3	36.6

a. Not including vessels under 1,000 GRT.

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APPENDIX

STATISTICAL TABLES

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Table 10

Merchant Fleets of the Sino-Soviet Bloc, by Type, Number, and Tonnage a/
1958-61 and 1965

Type of Ship and Area	1958		1959		1960		1961		Estimated 1965 <u>b/</u>	
	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons
Total tankers	<u>118</u>	<u>892.1</u>	<u>132</u>	<u>1,024.5</u>	<u>151</u>	<u>1,346.4</u>	<u>167</u>	<u>1,603.8</u>	N.A.	N.A.
USSR	102	793.1	113	884.1	128	1,163.0	136	1,315.5	228	2,900
European Satellites	6	75.3	9	116.7	12	156.1	18	233.3	29	410
Communist China	10	23.7	10	23.7	11	27.3	13	55.0	N.A.	N.A.
Total dry cargo	<u>845</u>	<u>3,996.3</u>	<u>917</u>	<u>4,496.3</u>	<u>1,019</u>	<u>5,136.8</u>	<u>1,085</u>	<u>5,565.6</u>	N.A.	N.A.
USSR	619	2,826.1	651	3,015.2	701	3,310.5	735	3,538.9	1,075	5,700
European Satellites	127	769.0	148	951.9	182	1,172.9	207	1,345.4	390	2,425
Communist China	99	401.2	118	529.2	136	653.4	143	681.3	N.A.	N.A.
Total Bloc merchant fleet	<u>963</u>	<u>4,888.4</u>	<u>1,049</u>	<u>5,520.8</u>	<u>1,170</u>	<u>6,483.2</u>	<u>1,252</u>	<u>7,169.4</u>	N.A.	N.A.
USSR	721	3,619.2	764	3,899.3	829	4,473.5	871	4,854.4	1,303	8,600
European Satellites	133	844.3	157	1,068.6	194	1,329.0	225	1,578.7	419	2,835
Communist China <u>c/</u>	109	424.9	128	552.9	147	680.7	156	736.3	N.A.	N.A.

a. Not including vessels under 1,000 GRT.

b. In most cases, estimates are based on announced plans.

c. Sufficient information is now available regarding the size in deadweight tons of individual ships in the Chinese fleet to present corrected figures. In previous reports it was necessary to convert the gross register tons of the fleet to deadweight tons, and a factor of 1.48 DWT for 1 GRT was used. The latest information indicates that a factor of 1.3 is more accurate for the Chinese fleet. This revision accounts for the difference between the figure of 761,000 DWT given in previous reports as the size of the fleet at the end of 1960 and the figure of 680,700 DWT given in this report.

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Table 11

Estimated Seaborne Foreign Trade of the Sino-Soviet Bloc
1955 and 1958-61

					Thousand Metric Tons
Area and Country	1955	1958	1959	1960	Estimated 1961
European Satellites					
Poland	<u>13,028</u>	<u>13,676</u>	<u>14,125</u>	<u>16,868</u>	<u>16,965</u>
Polish ships	2,291	2,729	3,377	4,321	5,808
Foreign ships	10,737	10,947	10,748	12,547	11,157
East Germany	<u>4,084</u>	<u>4,790</u>	<u>5,717</u>	<u>7,100</u>	<u>7,200</u>
East German ships	115	492	800	1,200	1,400
Foreign ships	3,969	4,298	4,917	5,900	5,800
Czechoslovakia	<u>3,430</u>	<u>3,960</u>	<u>4,340</u>	<u>5,335</u>	<u>6,200</u>
Czechoslovak ships	110	105	250	400	420
Foreign ships	3,320	3,855	4,090	4,935	5,780
Bulgaria	<u>584</u>	<u>874</u>	<u>1,790</u>	<u>1,800</u>	<u>2,000</u>
Bulgarian ships	300	290	400	550	800
Foreign ships	284	584	1,390	1,250	1,200
Rumania	<u>4,700</u>	<u>5,000</u>	<u>5,300</u>	<u>5,500</u>	<u>5,700</u>
Rumanian ships	150	165	165	145	290
Foreign ships	4,550	4,835	5,135	5,355	5,410
Hungary	<u>1,000</u>	<u>850</u>	<u>900</u>	<u>1,000</u>	<u>1,200</u>
Hungarian ships	25	50	75	90	100
Foreign ships	975	800	825	910	1,100
Albania	<u>475</u>	<u>850</u>	<u>1,100</u>	<u>1,500</u>	<u>1,700</u>
Albanian ships	40	100	175	350	400
Foreign ships	435	750	925	1,150	1,300

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Table 11

Estimated Seaborne Foreign Trade of the Sino-Soviet Bloc
1955 and 1958-61
(Continued)

Thousand Metric Tons					
Area and Country	1955	1958	1959	1960	Estimated 1961
Total European Satellites	<u>27,301</u>	<u>30,000</u>	<u>33,272</u>	<u>39,103</u>	<u>40,965</u>
Minus duplication of trade between Satellites a/	550	600	700	1,000	1,350
Balance	<u>26,751</u>	<u>29,400</u>	<u>32,572</u>	<u>38,103</u>	<u>39,615</u>
Domestic ships	3,031	3,931	5,242	7,056	9,218
Foreign ships	23,720	25,469	27,330	31,047	30,397
USSR	<u>15,200</u>	<u>26,600</u>	<u>34,800</u>	<u>44,700</u>	<u>58,500</u>
Soviet ships	9,900	16,200	16,300	18,300	21,000
Foreign ships	5,300	10,400	18,500	26,400	37,500
Total USSR and Satellites	<u>41,951</u>	<u>56,000</u>	<u>67,372</u>	<u>82,803</u>	<u>98,115</u>
Minus duplication of trade between the USSR and Satellites a/	3,700	5,000	5,800	6,800	6,400
Balance	<u>38,251</u>	<u>51,000</u>	<u>61,572</u>	<u>76,003</u>	<u>91,715</u>
Domestic ships	12,931	20,131	21,542	25,356	30,218
Foreign ships	25,320	30,869	40,030	50,647	61,497
Communist China b/	N.A.	<u>10,500</u>	<u>10,900</u>	<u>11,200</u>	<u>14,500</u>
Chinese ships	N.A.	0	0	0	150
Foreign ships	N.A.	10,500	10,900	11,200	14,350
Total Sino-Soviet Bloc	N.A.	<u>61,500</u>	<u>72,472</u>	<u>87,203</u>	<u>106,215</u>

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Table 11

Estimated Seaborne Foreign Trade of the Sino-Soviet Bloc
1955 and 1958-61
(Continued)

Thousand Metric Tons					
Area and Country	1955	1958	1959	1960	Estimated 1961
Minus duplication between China and Soviet Bloc <u>c/</u>	N.A.	2,700	2,900	2,900	2,500
Balance	N.A.	<u>58,800</u>	<u>69,572</u>	<u>84,303</u>	<u>103,715</u>
Domestic ships	N.A.	20,131	21,542	25,356	30,368
Foreign ships <u>d/</u>	N.A.	38,669	48,030	58,947	73,347

a. These figures are estimates based generally on piecemeal information. The weakest facet is trade between Rumania, Bulgaria, and the USSR moving on the Black Sea, for which there are virtually no data except general background. Consequently, these estimates may be high or low by as much as 25 percent.

b. Estimates do not include traffic between China and North Vietnam, which in 1961 amounted to about 1 million tons. Performance by Chinese ships in this trade is treated in Chinese statistics as coastal traffic.

c. Estimates are a result of either published information on seaborne trade moving between China and other individual Bloc countries or compilations of known shipments. The estimates may be high or low by as much as 15 percent in 1961, probably less for earlier years.

d. These amounts of cargo shown as shipped on "foreign" ships include cargo carried by Bloc ships for other Bloc members but do not include the carriage of cargo between the Bloc shipowner and another Bloc country -- for example, cargo between East Germany and the USSR carried by East German or Soviet ships. The latter type of Bloc ship performance has already been accounted for under each country's trade and by elimination of duplicate trade. Of the approximately 73 million tons of cargo carried by "foreign" ships in 1961, it is estimated that Bloc ships carried about 3.0 million tons, Polish ships accounting for about 2.0 million to 2.2 million tons. Non-Bloc ships therefore carried about 70 million tons of the total Sino-Soviet seaborne trade of 104 million tons, or 67 percent, compared with about 56 million tons in 1960, which also was 67 percent.

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Table 12

Merchant Fleets of the European Satellites, by Type, Number, and Tonnage a/
1958-61 and 1965

Country and Type of Ship	1958		1959		1960		1961		Estimated 1965	
	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons
Poland	<u>91</u>	<u>584.8</u>	<u>101</u>	<u>698.6</u>	<u>119</u>	<u>840.4</u>	<u>129</u>	<u>935.4</u>	<u>220 b/</u>	<u>1,500 b/</u>
Tanker	4	52.3	5	71.7	5	71.7	5	79.4	9	150
Dry cargo <u>c/</u>	87	532.5	96	626.9	114	768.7	124	856.0	211	1,350
East Germany	<u>15</u>	<u>120.7</u>	<u>21</u>	<u>173.7</u>	<u>29</u>	<u>241.1</u>	<u>35</u>	<u>291.3</u>	<u>73 b/</u>	<u>535 b/</u>
Tanker	2	23.0	2	23.0	4	49.7	6	72.7	7	85
Dry cargo	13	97.7	19	150.7	25	191.4	29	218.6	66	450
Czechoslovakia	<u>5</u>	<u>48.3</u>	<u>8</u>	<u>91.0</u>	<u>11</u>	<u>113.3</u>	<u>10</u>	<u>104.5</u>	<u>20</u>	<u>250 b/</u>
Tanker	0	0	1	20.2	1	20.2	1	20.2	2	40
Dry cargo	5	48.3	7	70.8	10	93.1	9	84.3	18	210
Bulgaria	<u>2</u>	<u>48.8</u>	<u>11</u>	<u>53.8</u>	<u>15</u>	<u>74.1</u>	<u>21</u>	<u>139.1</u>	<u>42 b/</u>	<u>240 b/</u>
Tanker	0	0	1	1.8	2	14.5	6	61.0	8	80
Dry cargo	9	48.8	10	52.0	13	59.6	15	78.1	34	160

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Table 12

Merchant Fleets of the European Satellites, by Type, Number, and Tonnage a/
1958-61 and 1965
(Continued)

Country and Type of Ship	1958		1959		1960		1961		Estimated 1965	
	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons	Number	Thousand Deadweight Tons
Rumania	<u>7</u>	<u>34.7</u>	<u>7</u>	<u>34.7</u>	<u>8</u>	<u>39.2</u>	<u>15</u>	<u>68.7</u>	<u>30</u>	<u>190 b/</u>
Tanker	0	0	0	0	0	0	0	0	3	55 d/
Dry cargo <u>e/</u>	7	34.7	7	34.7	8	39.2	15	68.7	27	135
Hungary	<u>6</u>	<u>7.0</u>	<u>6</u>	<u>7.2</u>	<u>8</u>	<u>9.7</u>	<u>9</u>	<u>11.0</u>	<u>22 b/</u>	<u>80 b/</u>
Tanker	0	0	0	0	0	0	0	0	0	0
Dry cargo	6	7.0	6	7.2	8	9.7	9	11.0	22	80
Albania	<u>0</u>	<u>0</u>	<u>3</u>	<u>9.6</u>	<u>4</u>	<u>11.2</u>	<u>6</u>	<u>28.7</u>	<u>12</u>	<u>40</u>
Tanker	0	0	0	0	0	0	0	0	0	0
Dry cargo	0	0	3	9.6	4	11.2	6	28.7	12	40
Total Satellites	<u>133</u>	<u>844.3</u>	<u>157</u>	<u>1,068.6</u>	<u>194</u>	<u>1,329.0</u>	<u>225</u>	<u>1,578.7</u>	<u>419</u>	<u>2,835</u>
Tanker	6	75.3	9	116.7	12	156.1	18	233.3	29	410
Dry cargo	127	769.0	148	951.9	182	1,172.9	207	1,345.4	390	2,425

a. Not including vessels under 1,000 GRT.

b. Estimated on the basis of published plan data minus ships under 1,000 GRT.

c. Including two 10,000-DWT ships transferred to the fishing fleet as supply ships.

d. This estimate may be low.

e. Including one fish factory ship.

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